

Which employers sponsor defined contribution retirement plans?

Evidence from linked employer-employee administrative records

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Key Definitions

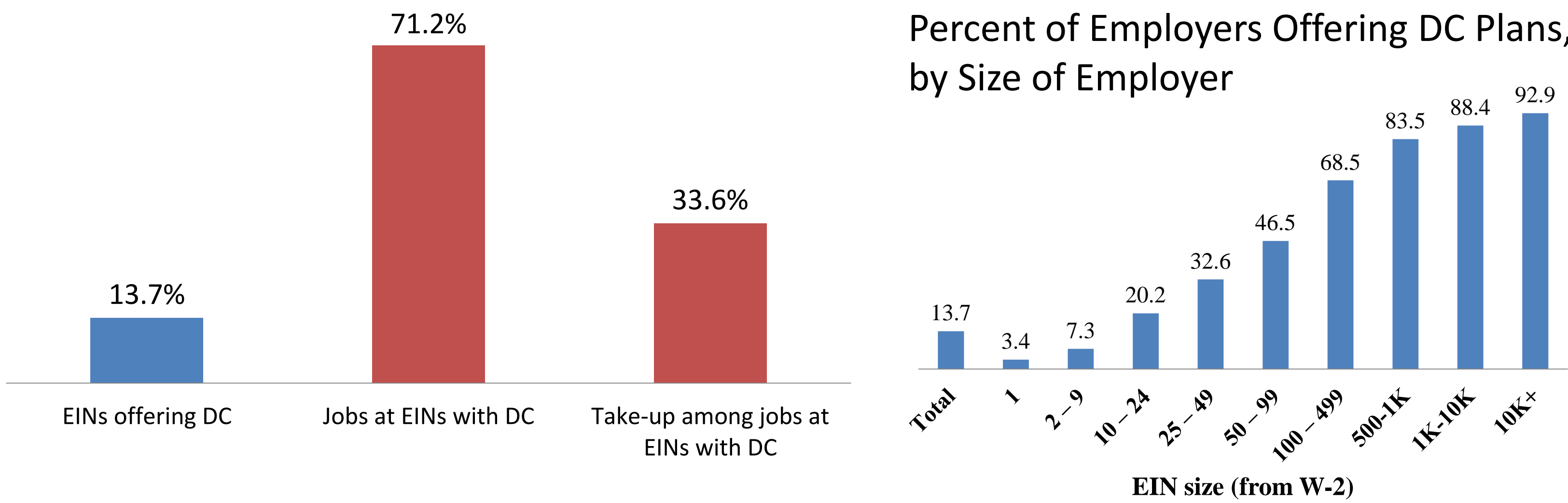
- Defined contribution (DC) plans (401(k), 403(b), 457(b), etc.): Tax-preferred retirement savings vehicles sponsored by employers or unions
- Employer offers DC: if any of its workers has positive deferred earnings
- Take-up rate: share of employees with deferred earnings (when employer offers DC)

Overview

- Develop a new approach to measuring employer sponsorship of defined contribution (DC) plans using the universe of W-2 records
- Evaluate quality of new measure using plan-level measures from Form 5500 and self-reported coverage and participation from survey data

Part I: Measuring Employer DC Plan Sponsorship Using W-2 Records

- Use universe of W-2s for tax year 2012, unless stated otherwise
- Employers: identified by unique employer identification number (EIN) in W-2 records—6.2 million
- Workers: identified by unique personal identification key (PIK)—154.8 million
- Jobs: unique pairings of PIK and EIN—218.9 million
- Deferred earnings: amount reported in box 12 of W-2s



Comparing Results with Other Coverage Measures

Employers' Sponsorship Rates (percent) in 2012 Using W-2s and National Compensation Survey (NCS)

	All	1 to 99 employees	100 or more employees
NCS: Private sector establishments	43	42	74
W-2s: All EINs	14	12	72

W-2 measure generates lower employer sponsorship rates because of smaller firms

Workers' Coverage, Overall Participation and Take-Up Rates (percent)

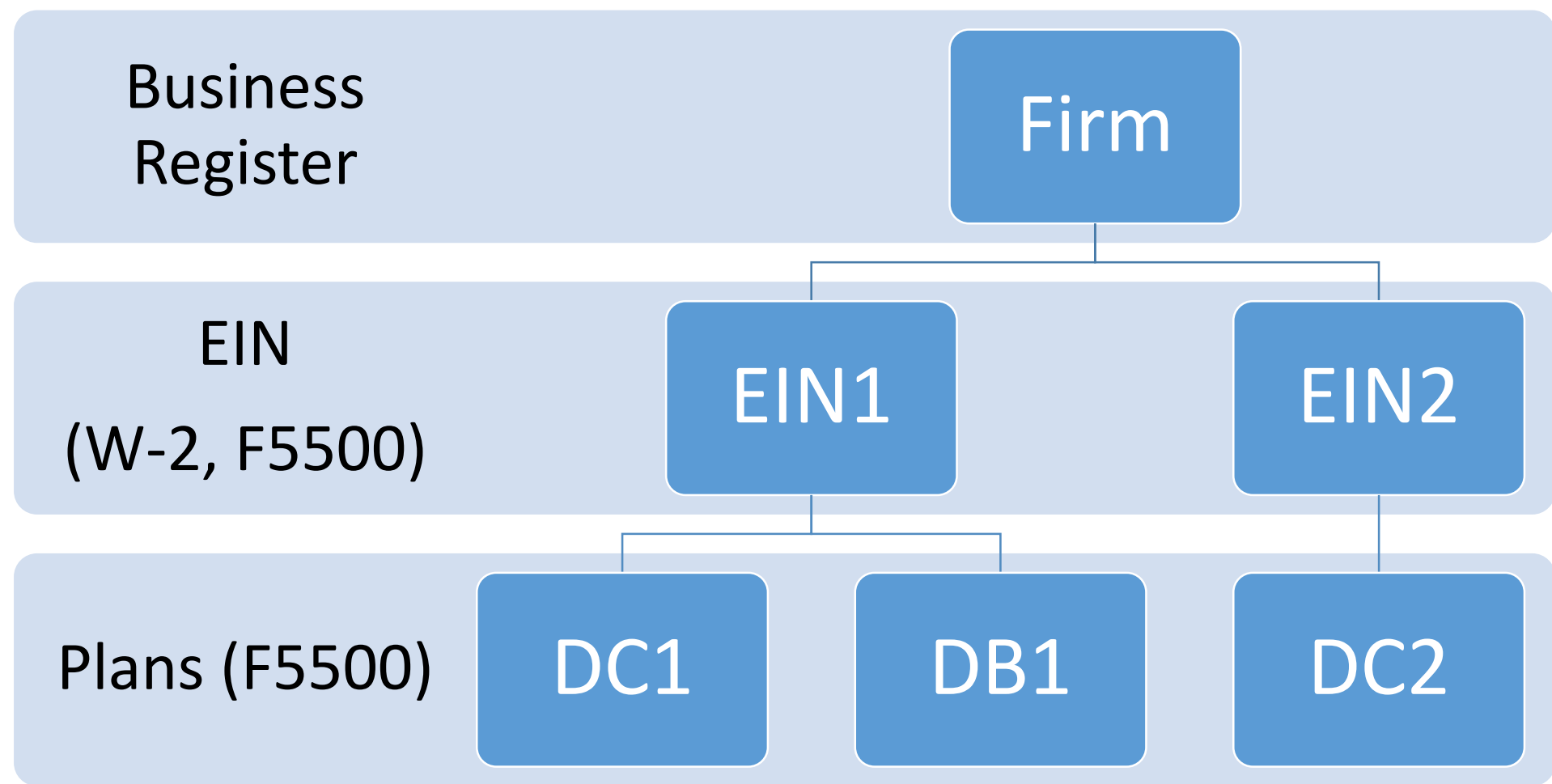
	Coverage	Participation	Take-up
NCS (2012): all workers	55	37	67
SIPP (2006) [Dushi et al. (2011)]: aged 21-64 with main job or business in 2006	57	39	68
W-2s: jobs	71	24	34
W-2s: individuals	79	32	41
W-2s: individuals with \$3,770 total earnings	81	37	46

W-2 measure generates higher worker coverage rates and lower take-up rates

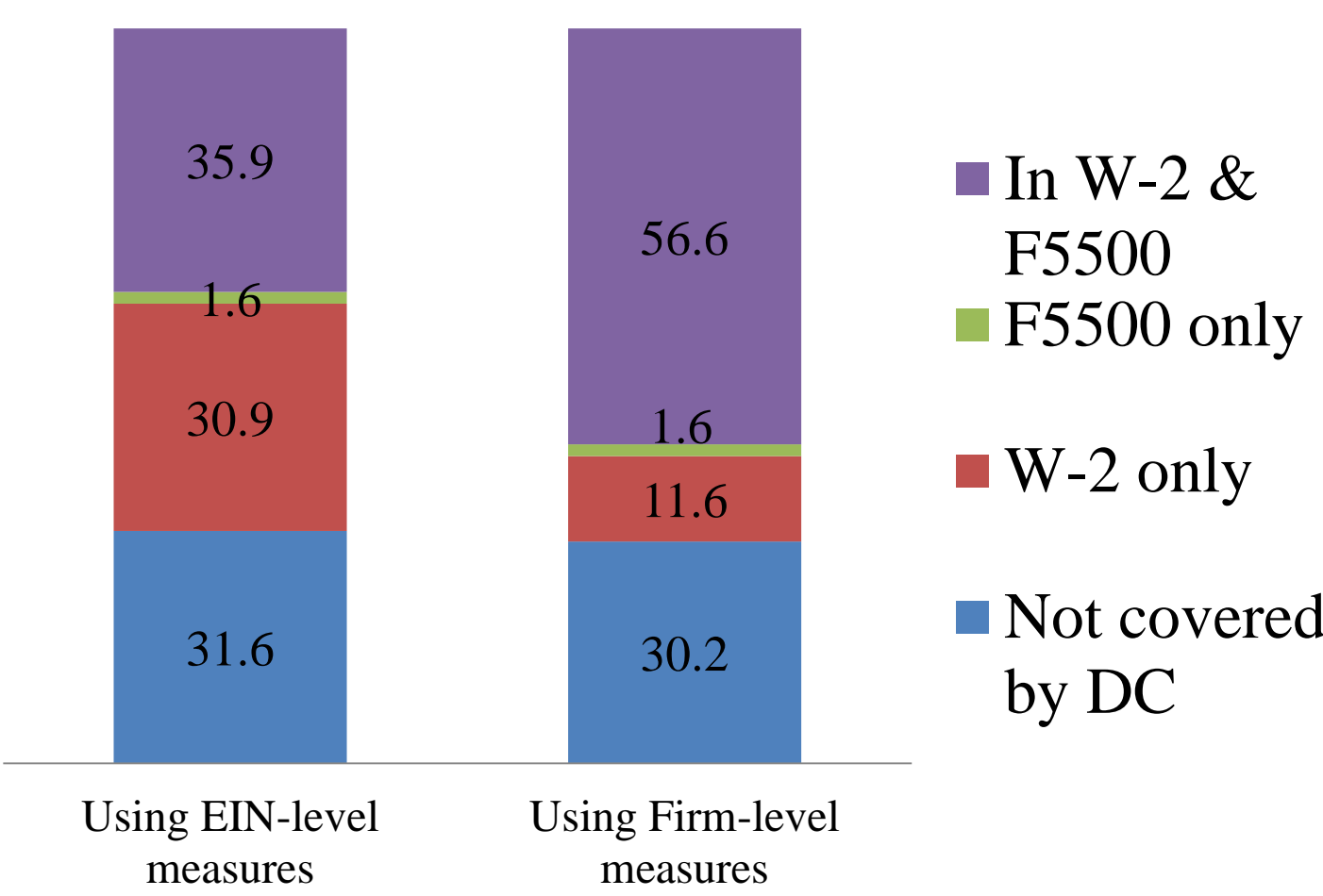
Part II: W-2 Records Linked to Form 5500

- Department of Labor's Form 5500 (F5500) plan-level data for private sector retirement plans
- Only way to get defined benefit (DB) sponsorship; can assign DC plan characteristics (e.g., auto-enrollment, match rates) to individuals
- U.S. Census Bureau's Business Register (BR) helps link W-2s to F5500s

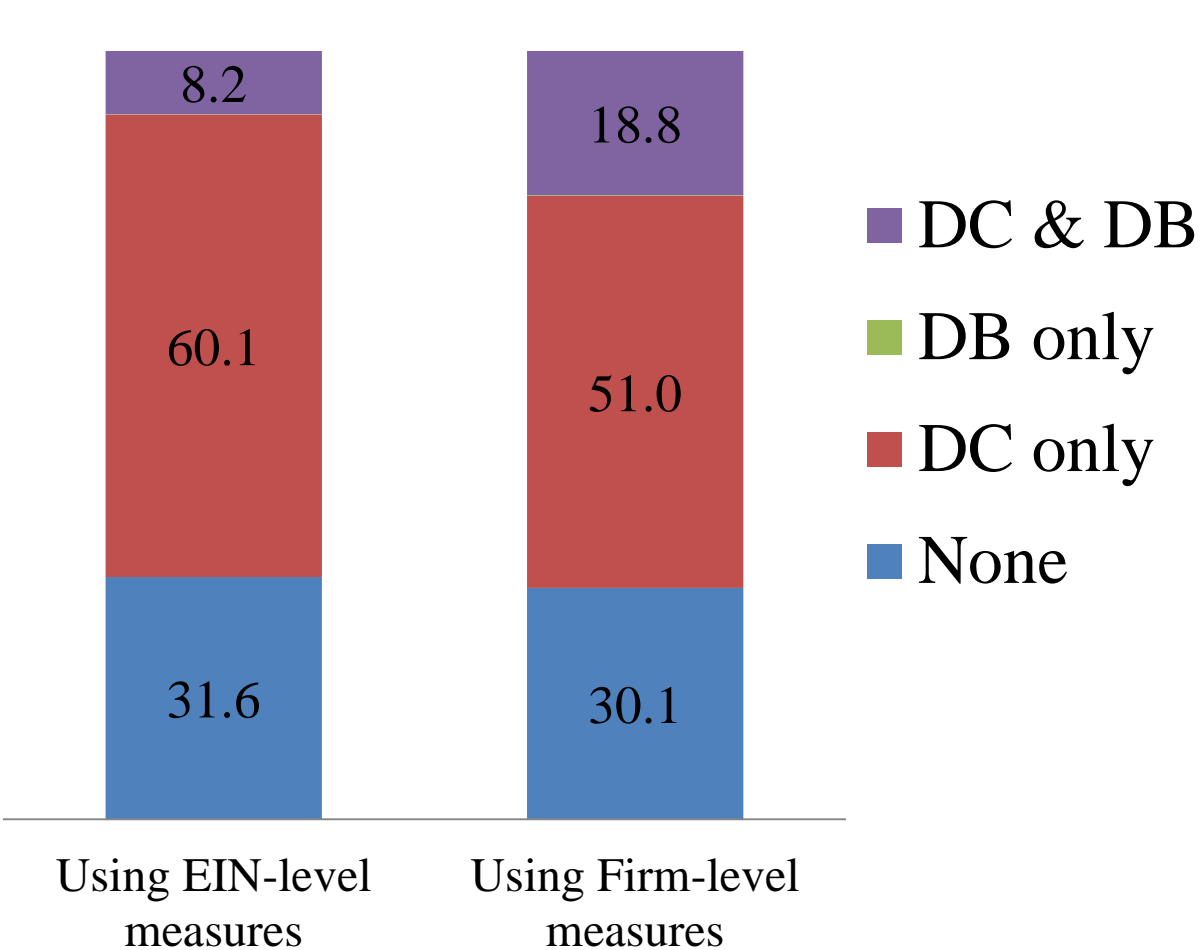
- BR links EINs associated with the same firm
- Firm offers DC (DB) if any EIN associated with firm offers DC (DB)



Jobs at Private Sector Employers with DC Plans (percent)



Jobs at Private Sector Employers with DB vs. DC Plans (In percent. DC Identified in W-2s and F5500)



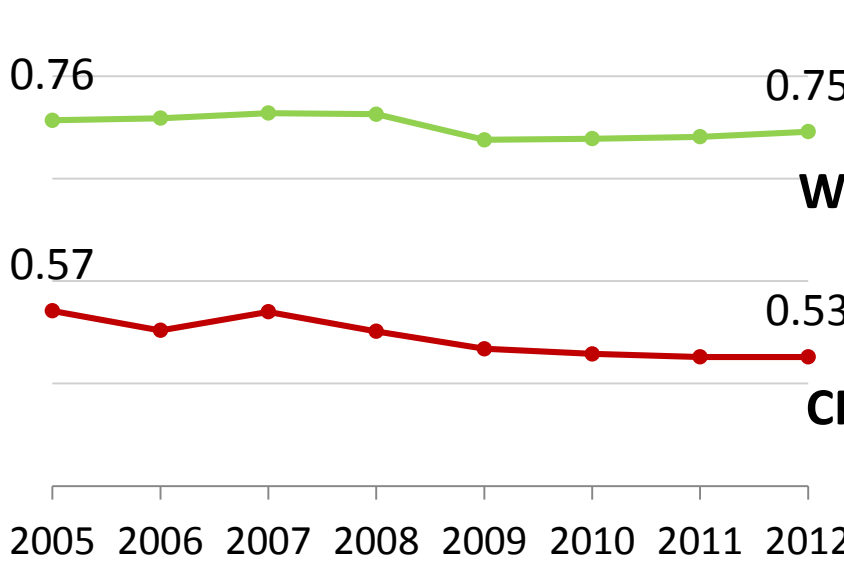
- Using EIN-level measures, less than half of EINs in W-2s have plans in F5500s
- BR helps improve linkage of W-2s to F5500s by using firm-level identifiers
- DC coverage rate closely approximates overall (DC & DB) plan coverage

Part III: W-2 Records Linked to Surveys

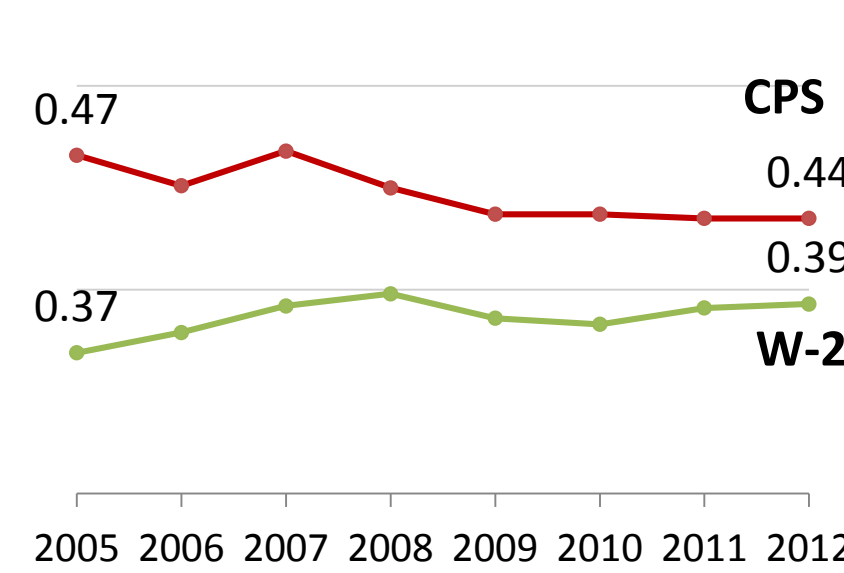
- Current Population Survey Annual Social and Economic Supplement (CPS ASEC) linked to W-2 records via unique identifiers
- Sample: Aged 25-64, wage and salary workers in private sector
- Use self-reported retirement plan coverage and participation to validate new measure
Question in CPS ASEC: *Other than Social Security did (ANY) employer or union that (name/you) worked for in the previous calendar year have a pension or other type of retirement plan for any of its employees?*
If they answer "yes," they are then asked: *(Were/Was) (name/you) included in that plan?*
- Because CPS question combines DC & DB plans:
 - Coverage & participation in W-2s → should report same in CPS
 - Could correctly report coverage or participation in CPS but not observe this in W-2s

CPS-ASEC and W-2 Pension Plan Information Over Time (percent)

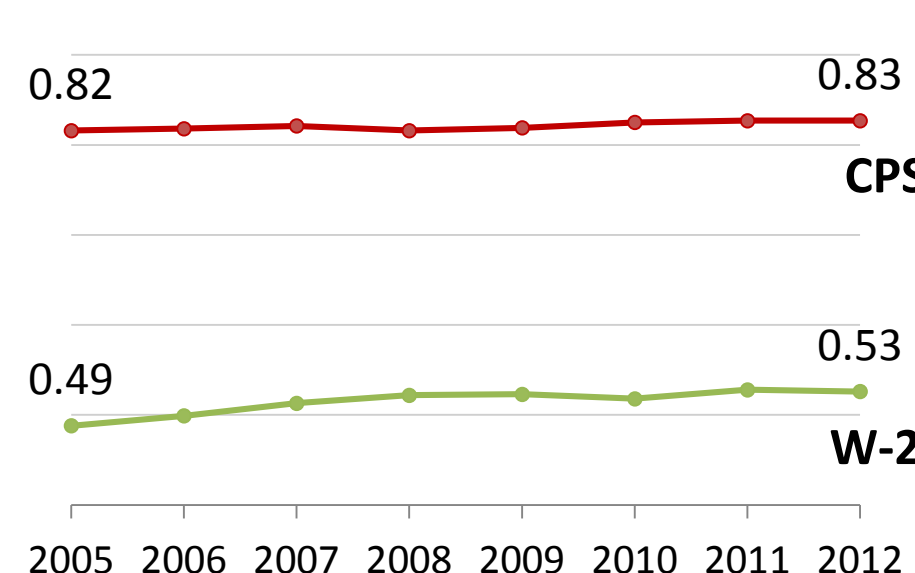
Coverage



Participation ("Included")



Take-Up



Agreement of 2013 CPS-ASEC and 2012 W-2 Information (percent)

	Coverage	Participation
W-2: yes; CPS: yes	46.9	27.7
W-2: yes; CPS: no	27.7	11.6
W-2: no; CPS: yes	5.7	15.8
W-2: no; CPS: no	19.6	44.9

- Over ¼ of CPS private sector workers do not know their employer offers a DC plan
- Roughly 16 percent participate in CPS data but not W-2s → could be DB plan participation not measured in W-2s

References

- Dushi, Irena, Howard M. Iams, and Jules Lichtenstein. "Assessment of Retirement Plan Coverage by Firm Size, Using W-2 Tax Records." Social Security Bulletin, Vol. 71, No. 2, 2011.
- National Compensation Survey: Employee Benefits in the United States, March 2012. Bulletin 2773.